ENERO

ASX ANNOUNCEMENT 10 August 2015

Results for year ended 30 June 2015

Enero Group Limited (ASX: EGG) today announced its results for the year ended 30 June 2015.

Summary:

- Operating EBITDA[1] up 2%, net revenue down 8% on prior reporting period.
- Improved Operating EBITDA margin to 8.3%.
- Net loss after tax to equity holders $2.8m.

Enero Group CEO, Matthew Melhuish said: "We are pleased to deliver growth in earnings this year. While there have been some challenges faced over the course of the year relating to specific business units, our foundation as a Group is much stronger and our international exposure to the UK and USA markets gives us the benefit of seeking out larger revenue opportunities. We will focus on two key areas in the upcoming financial year – new business conversion and building our profile in the USA".

Financial performance:

A$ million	FY2015	FY2014	Variance
Net Revenue	110.3	119.5	(8%)
Operating EBITDA[1]	9.2	9.0	2%
Net loss after tax to equity holders[2]	**(2.8)**	**(2.9)**	
Operating EBITDA Margin	8.3%	7.5%	

Notes:

1. Operating EBITDA is net profit before interest, tax, depreciation, amortisation, impairment, loss on sale, commercial settlements and restructuring costs. Operating EBITDA is the primary measure used by management and the directors in assessing the performance of the Group. It provides information on the Group's cash turnover excluding significant transactions and non-cash items which are not representative of the Group's on-going operations or cash flow.
2. Net profit after tax includes significant items of $4.3m (FY2014: $2.9m). Refer to attached results presentation for detailed analysis.
3. The results announcement and attached presentation includes the following measures used by the Directors and management in assessing the on-going performance and position of the Group: Operating EBITDA, NPAT before significant items and NPATA before significant items. These measures are non-IFRS and have not been audited or reviewed.

Business operating performance:
Operating EBITDA was up 2% on the prior year, notwithstanding Net revenue being down 8% on prior year. The Operating EBITDA margin increased with reductions in the cost base implemented throughout the year. The Group has also invested in key staff and expansion in capabilities during the reporting period.

Refer to the results presentation for further details on operating business performance.

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Enero Group Limited
FY15 Full Year Results

10 August 2015

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Non-IFRS Performance measures

This results presentation uses non-IFRS performance measures which have not been audited or reviewed. The Company believes that, in addition to the conventional measures reported under IFRS, the Company and investors use this information to evaluate the Company’s performance. Non-IFRS performance measures include Operating EBITDA which is defined in the presentation.

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Financials

Financial

- Operating EBITDA up 2% on the prior reporting period.
- Net revenue down 8% on the prior reporting period.
- EBITDA margin improvement from 7.5% to 8.3% generated by cost base reductions in staff and operating costs.
- Strong cash conversion.
- Weaker Australian dollar lifted reported net revenue by $3.5m and Operating EBITDA by $0.6m

Financials continued

Revenue and Operating EBITDA

YEAR ENDED 30 JUNE ($M)	2015	2014	CHANGE
NET REVENUE			
Operating Companies	110.3	119.5	(7.7%)
Net Revenue	**110.3**	**119.5**	**(7.7%)**
OPERATING EBITDA			
Operating Companies	16.3	16.5	(1.2%)
Support office	(6.0)	(6.1)	1.6%
Share based payments charge	(1.1)	(1.4)	21.4%
Operating EBITDA	**9.2**	**9.0**	2.2%
Operating EBITDA Margin[3]	**8.3%**	**7.5%**	**0.8bp**

1. Operating EBITDA is net profit before interest, tax, depreciation, amortisation, impairment, loss on sale, commercial settlement and restructure costs. Refer to slides 10 and 11 for detailed analysis of costs.
2. Operating EBITDA Margin is Operating EBITDA / Net Revenue.

Financials continued

Results ratio analysis

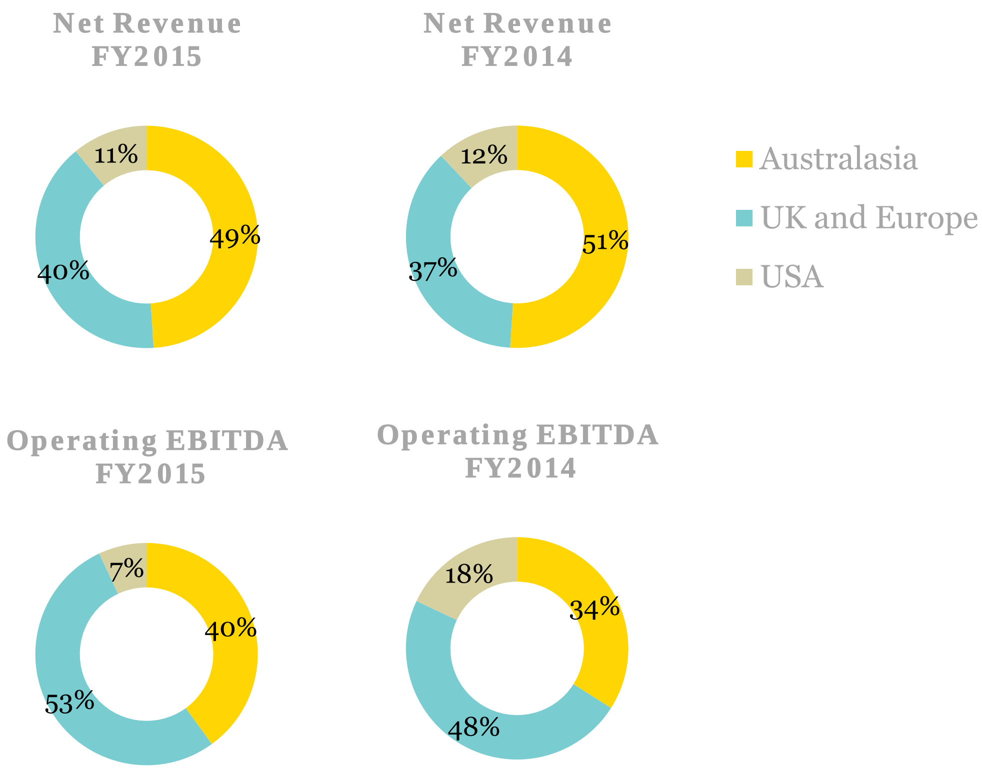
YEAR ENDED 30 JUNE ($M)	2015	2014
Net Revenue	110.3	119.5
Staff costs	79.4	88.3
Staff costs %	*72.0%*	*73.9%*
Operating costs	21.9	22.6
Operating costs %	*19.9%*	*18.9%*
Operating EBITDA	**9.2**	**9.0**
Operating EBITDA Margin	**8.3%**	**7.5%**

Staff costs includes all full time and freelance/casual employees and contractors.

- Staff costs ratio trending down to 72%. Overall staff costs reduced by 10% in the period to offset reduced revenue.
- Operating costs were down 3% year on year from operating cost efficiencies albeit the operating cost ratio increased to 19.9%. This increased ratio is a reflection of the reduced revenue in the financial year.

Financials continued

Geographical Contribution from operating companies



- Geographical contribution to revenue remains consistent year on year. USA continues to require more scale.
- Geographical contribution to Operating EBITDA reflects improved profitability in the UK and European businesses. International operations accounted for 60% of the Group Operating EBITDA in FY15.

Financials continued

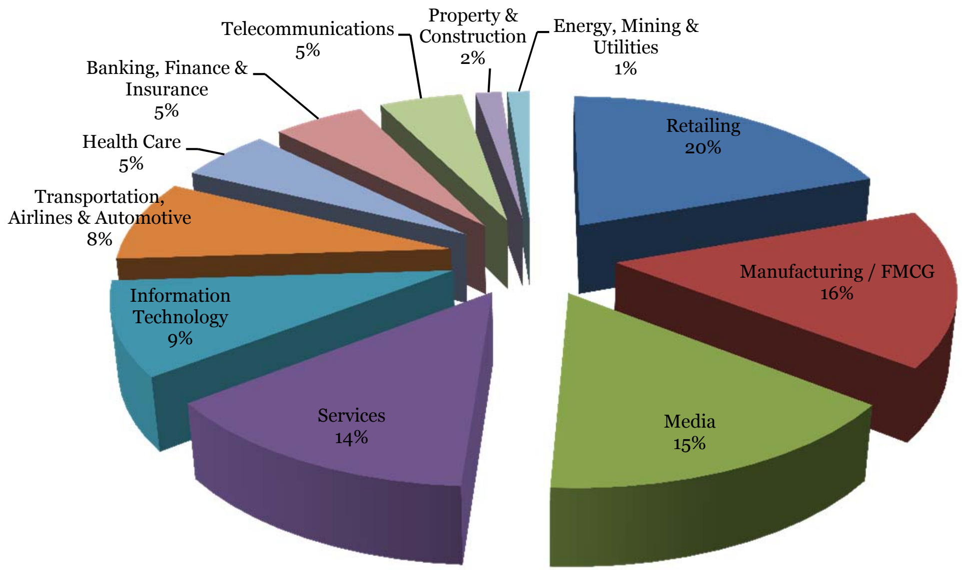
Geographical Results from operating companies

YEAR ENDED 30 JUNE ($M)	2015	2014	CHANGE
NET REVENUE			
Australasia	53.4	60.3	(11.4%)
UK and Europe	44.4	44.4	-
USA	12.5	14.8	(15.5%)
Total	**110.3**	**119.5**	**(7.7%)**
OPERATING EBITDA			
Australasia	6.5	5.6	16.1%
UK and Europe	8.7	8.0	8.7%
USA	1.1	2.9	(62.1%)
Total	**16.3**	**16.5**	**(1.2%)**

- **Australasia:** improved Operating EBITDA notwithstanding decline in revenues as a result of more settled teams in Australian businesses and better new business conversion.
- **UK and Europe:** improved performance and margin in a stronger economic environment.
- **USA:** decline in revenue from weak pipeline conversion. Reduced Operating EBITDA and margin due to further staff movements requiring a re-start in the businesses during the second half of the year.
- **Currency impact:** weaker Australian dollar lifted net revenue by $3.5m and Operating EBITDA $0.6m.

Financials continued

Revenue By Industry



- Strong mix of clients across market industry and sector groups demonstrates diversification of revenue.
- Largest client represents 11% of total revenue.
- Top 10 clients represent 38% of total revenue across >750 client relationships.

Financials continued

Profit & Loss Summary

YEAR ENDED 30 JUNE ($M)	2015	2014
Net Revenue	110.3	119.5
Other revenue	0.2	0.4
Staff Costs	(79.4)	(88.3)
Operating Expenses	(21.9)	(22.6)
Operating EBITDA[1]	**9.2**	**9.0**
Operating EBITDA Margin	8.3%	*7.5%*
Depreciation & Amortisation	(4.2)	(4.8)
Net Interest earned	0.1	-
Tax	(2.3)	(2.7)
Minority interests	(1.2)	(1.5)
NPAT before significant items[2]	**1.5**	**-**
NPATA before significant items[3]	**2.3**	**1.5**
Significant items[4]	(4.3)	(2.9)
Net loss after tax to equity owners	**(2.8)**	**(2.9)**

1. Operating EBITDA provides meaningful information on the group's cash flow generation excluding significant transactions and non cash items which are not representative of the group's on-going operations.
2. NPAT before significant items represents net profit after tax before the impact of significant, non-recurring and non operational impacting items.
3. Excludes non-cash amortisation of acquired intangibles FY15: $0.8m (FY14: $1.5m).
4. Refer to slide 11 for significant items.

Financials continued

Profit and Loss Summary con't

Significant items

- Non cash accounting loss relating to release of foreign currency translation reserve (FCTR) on deregistration of dormant entities in the Group corporate structure. No impact on ongoing operations.

YEAR ENDED 30 JUNE ($M)	2015	2014
Restructure costs	(1.7)	(1.7)
Loss on deregistration of dormant subsidiaries	(2.6)	-
Commercial Settlement	-	(1.2)
Total significant items	***(4.3)***	***(2.9)***

Financials continued

Balance Sheet

($M)	30 Jun 2015	30 Jun 2014
Cash	25.8	22.5
Net Working Capital	0.5	0.5
Other Assets	2.5	3.5
Fixed Assets	7.0	7.2
Intangibles	84.5	76.7
Total Assets	**120.3**	**110.4**
Provisions & Other Liabilities	4.8	5.2
Finance lease liabilities	-	1.7
Net Assets	**115.5**	**103.5**

- Contingent deferred consideration liability (Tranche 3A&3B liabilities) of $54.8m not recognised at 30 June 2015. Target EBITDA hurdles to trigger payments are $53.7m and $63.7m respectively. Final contingent liability expires in 2018.
- Dividend and share buy back restriction continues until the Tranche 3A&3B liabilities are either paid, cancelled or expired.

Cash Flow & Working Capital Management

YEAR ENDED 30 JUNE ($M)	2015	2014
Operating EBITDA	9.2	9.0
Movement in Working Capital	-	0.9
Restructure costs	(1.7)	(1.7)
Equity Incentive Expense	1.1	1.4
Gross Cash Flow	8.6	9.6
Net Interest Received	0.1	-
Tax paid	(1.7)	(1.8)
Commercial Settlement	-	(1.2)
Operating Cash Flow	7.0	6.6
Cash funded capex	(2.6)	(1.9)
Free Cash Flow	**4.4**	**4.7**

- Conversion from Operating EBITDA to cash remains strong.
- No movement in working capital reflecting strict working capital measures.
- Tax payments made in relation to overseas tax jurisdictions.
- Total capex for FY15 was $2.6m all cash funded. (FY14: $2.8m including $0.9m funded under lease finance).

Operational Update

- Focus on USA market in FY16:
  - Hotwire Group CEO relocating to New York to drive growth
  - Appointment of new GM for Hotwire San Francisco office
  - Naked Communications USA office reset with combined UK/USA management team in place from April 2015 and increased focus on new business drive.

- Key staff hires during the period in line with strategic goals:
  - Enero New Business Director (Australian focused)
  - Senior creative and strategic resources into Naked Communications across all three markets
  - Senior management hires in Hotwire to broaden product offering (Hotwire Labs) and drive revenue growth in key markets.

- Corporate Edge integrated into Hotwire from June 2015 to broaden offer for each business and simplify structure.

- UK hub office completed in January 2015 housing Naked, Hotwire, TLE. No further major office moves for the Group in the short term which will lead to lower capex requirements.

Operational Update continued

- Public relations businesses Frank PR and Hotwire continue to perform well with consistent new business and strong margins. A number of multi-geographic wins for Hotwire highlights the global reach of the business.

- Naked Communications is progressing well in the UK however Australian and USA markets re-booting in second half of financial year given leadership changes.

- The Leading Edge, Jigsaw and Precinct had improved financial years with new business wins.

- BMF continues to lead in creative reputation but requires more new business conversion.

- The search marketing businesses Dark Blue Sea and OB Media were consistent.